

**Remarks by Thomas B. Modly
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AFCEA
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Thank you for the kind introduction, and thank you for the honor of addressing you today at this conference.

Luncheon keynotes, on Fridays, are always a challenge. During my previous tenure in the Pentagon I was asked to pinch hit for the OSD Comptroller at the annual American Society of Military Comptrollers PDI conference in Salt Lake City. It was my first speaking engagement as the Deputy Under Secretary of Defense for Financial Management and I was told that I would be giving the key note luncheon speech at the event. Now, no offense to the comptroller-types in the room, but the prospect of speaking to a convention hall full of 5000 government accountants, after lunch, was a bit daunting. I was challenged with how best to fire up and motivate such a group—not because government accounting isn't just one of those few subjects that can really fire up a crowd---but I was new in the job, and it was after lunch, and did I mention it was 5000 government comptrollers and accountants?

Nonetheless, I was determined to give them something to think about and to remember about my speech. Something that had nothing to do with general ledgers, or debits and credits, or financial statements, or business systems, or God forbid, ERPs. So I went on YouTube and tried to find something completely unrelated to any of those things. I was honestly just looking for something funny and quirky that would lighten the mood and stir the crowd up a little bit to postpone the heavy, drooping eyelids that were inevitable.

At any rate I found a video commercial that was perfect. It was short, it was funny, and initially I thought, “This great—this has absolutely nothing to do with government accounting and military comptrollership.” But then, as I watched it again, I realized that there was a message in this video that had almost perfect applicability to the national security challenges we were facing as a nation at that time. These challenges had implications for every single person in our national security ecosystem: our military officers and enlisted personnel, our defense civilians, our diplomats, our contractors, our defense industrial base, and even our individual citizens. If framed properly, there was a profound message in this video that, at that time, we were just coming to grips with as a nation. Its message is perhaps even more relevant today. So let’s take a look at it, and let’s see if you agree:

RUN VIDEO #1 (John West Salmon)

Now I realize that the relevance of this commercial for canned salmon to our current complex geopolitical security environment is not entirely obvious. But it only takes a little stretch of imagination, and perhaps a relaxation of skepticism, to understand the connection.

When I thought about this commercial I began to realize something profound:

the bear in the video was us.

As the commercial opens, you see the bear peacefully wading along the edge of the stream, in his normal habitat, in an environment in which he is completely comfortable, with his traditional allies and, some vanquished foes, (fellow bears) whom he completely trusted to stay in their areas of responsibility, and not mess with his. He was comfortable because for years he had been unchallenged, he had developed everything he needed to dominate this sphere of influence--and he even had some special skills/capabilities in his back pocket just in case.

Suddenly, everything he understood about the way things are supposed to be, about how he was to survive and maintain the equilibrium that had accrued to his benefit is suddenly disrupted by a rogue actor who simply does not care about how the bear frames

reality or how he thinks things are supposed to be. The challenger just unabashedly decides to take what HE believes is in HIS interest. After allowing for his initial shock, the bear pulls out some secret martial arts skills (I guess in the modern defense parlance we would call them something cool like “5th generation capabilities”), but the bold and unconventional interloper doesn’t fight fair and the battle is ultimately lost for the poor, once-dominant bear.

Does this sound familiar to anyone in this room?

When I first showed this video it was in the wake of the 9-11 attacks and the relevance of it was clear as day. After sixteen years of war, I think it is even more applicable today because no longer are we faced with a single rogue actor who is attempting to challenge the world order. Rather, today we are faced with a broad and varied spectrum of them. Some, like the salmon stealing quasi-hero in the video, continue to rely on unconventional means that have advanced their potential to have larger and larger destructive and disruptive effects on our society. We see this across every area of the world in which our naval forces must engage. These transnational actors inspire each other and use the tools of modern technology and social media to build connections across borders that threaten our people, and our allies and partners around the world. Some of them are actually state

actors, like North Korea and Iran, who have convinced themselves that their paths to survival can be achieved through an ascendance to great power status—a great power status of their own making. They have both chosen to do so by directly and indirectly confronting the United States in order to demonstrate our vulnerabilities, and in return, to elevate their own prestige.

More alarming, however, is that in recent years we have seen a change that is not depicted in the commercial. This is a change we would likely observe if the commercial were to continue for a few more minutes. I ask you to consider this question:

What do you think the other bears would do if they perceived that one of them might be weak, or vulnerable, or unprepared?

If you have read our new National Defense Strategy, you understand the implications of this hypothetical scenario because this is what we must now address as a nation: the prospects of Great Power Competition on global scale.

So what does this mean for you as leaders of our defense industrial base? Primarily, I think it means that each one of you must read the National Defense Strategy and understand what it means for how you think about the future—and more importantly **how you inspire others who work for you to think about it.**

The National Defense Strategy is a very cogent and realistic document. It is aligned with the National Security Strategy of the United States which was published just a few weeks before the NDS, and it very plainly directs the Department of Defense to **Compete, Deter, and Win** alongside our allies and partners. It is a strategy that recalls President Reagan's commitment to preserve peace through strength, while enabling victory in conflict if necessary. It is the Department's preeminent strategic guidance document and it will set the course for the Department of the Navy for years to come.

As the strategy describes, great-power competition has reemerged as the central challenge to U.S. security and prosperity, and this geostrategic fact is demanding prioritization and tough strategic choices. It is increasingly clear that China and Russia want to shape a world consistent with their authoritarian model and they will use whatever tools that are available to them, both lethal and non-lethal, legal and illegal, to gain influence and authority over other nation's economic, diplomatic, and security decisions. It is very clear that both China and Russia aim to shift the regional balances of power to their advantage. It is their stated intent to weaken or fracture the U. S.-led alliance and partnership network that has ensured security and

prosperity for so many around the world. If unaddressed, the erosion of the United States' military advantage vis a vis China and Russia could undermine our ability to deter aggression and coercion in key strategic regions, and therefore, we must correct the trajectory of the past several years so that both countries understand that the United States is not in retreat, but that we will advance our interests and influence around the world. Those interests are primarily defined by actions that will promote peace and prosperity around the world through what Secretary Mattis describes as a "Constellation of Partnerships" with nations who share our values and security interests.

While the strategy prioritizes the challenges from China and Russia, it does not ignore the growing and pervasive threats from North Korea and Iran, and it also continues our commitment to defeat violent extremism and the horrors being perpetrated in the name of Salafist-based ideologies. So, it is a realistic strategy, but also an ambitious one that cannot be executed without a significant commitment of national resources, and perhaps more importantly, a significant application of national resolve and urgency. As Secretary Mattis has stated,

"In a world awash in change and increasing threats, there is no room for complacency. History makes clear that no country has a pre-ordained right to victory on the battlefield" (Mattis)."

Secretary Mattis is correct that there is no pre-ordained right to victory. It occurs when a nation is prepared **not only** for the fight that it sees coming, but also when it is prepared **for the fight that it does not** -- like the bear in the John West salmon commercial we just saw. So it follows that the NDS is structured to address the full range of adversaries we may face in a rapidly changing security environment. The future Joint Force we must build in response will have a modern, flexible, and tailored nuclear deterrent; decisive, globally-capable conventional forces; and a high level of competency in irregular warfare. This force must be lethal and resilient in contested environments, disruptive to adversaries who seek advantages across the globe, and flexible enough to address and defeat threats across a broad conflict spectrum.

Fundamental to this future force will be the preeminence of our maritime superiority because **America is, and will always be, a maritime nation**. Command of the seas is central to our nation's security and prosperity, and our maritime forces continue to be in great demand around the globe. China and Russia are heavily investing in expanding their conventional and unconventional naval capabilities, and Iran and North Korea present challenges to our naval forces in different, but still very disruptive and dangerous ways. Given the increasing complexity of the competitive geostrategic landscape, the

National Defense Strategy's mandate for how we construct our naval forces must address a broad range of challenges:

- A return to great power competition, but not to the exclusion of other threats.
- An emphasis on lethality and readiness, but not to the exclusion of new platforms and technologies for the future fight.
- A recognition that we must advance our nation's interest and influence on the seas, but not to the exclusion of building alliances and partnerships that seek peaceful conflict resolution, with preparedness for the use of decisive force if necessary.

The United States Navy and Marine Corps **must, and will**, respond ----and we will do so by building a bigger, better, more networked, more talented, and more ready force. Thanks to the support of Congress we are already on the path to this future state of U.S. maritime supremacy. The FY17 budget arrested the readiness decline we had experienced in recent years; FY18 made progress in restoring readiness; and the FY19 budget increases lethality by building both capacity and capability.

In a word, I believe the National Defense Strategy calls for a Navy and Marine Corps team in which AGILITY is the defining characteristic. It is a term which describes an overall organizational quality that has determined, and will determine, who and what survives in **any** increasingly competitive, rapidly changing, and unpredictable environment. This is the environment we all face today so I think we will ultimately be judged by how well we transition our forces and our supporting organizations to a future in which AGILITY is their defining characteristic.

I actually tried to confirm my intuition about this, and its relevance to our collective mission, by doing a word count on the National Defense Strategy document. At first I was a little disappointed as agile and agility appear only 6 times in the document. By contrast, lethality is mentioned 15 times, competition/competitor 37 times, defense/defend 44 times. However, when I looked deeper and searched for references to the qualities that help define an agile organization-- qualities such as adaptability, collaboration, innovation, speed, and transparency, I found something else. In addition to the 6 mentions of agility, interoperability is mentioned 4 times, information in the context of sharing 8 times, adaptability 8 times, innovation 8 times, speed 5 times, collaboration/cooperation 6 times. All totaled, 45 mentions of agility and some of the organizational qualities that

contribute to it. One more than the 44 mentions of defend/defense. While I don't think these 45 citations were intended to correlate to my personal definition of agility, I do believe their existence in the document reinforces the point that these are the qualities that we should embrace in order to effectively execute the strategy itself.

Therefore, as a Department of the Navy we must advance agility when we think about, and build, our future force structure. We need more ships and aircraft and vehicles, but that equipment must provide flexibility, adaptability, faster development cycles, reduced maintenance requirements, greater lethality, and an industrial strategy that sustains a modern, flexible and sustainable industrial base. A popular question that is being asked today, (and that will be asked and analyzed in the coming weeks as we defend our budget to Congress) is whether this future naval force should be built on the foundation of 280 ships, or 320 ships, or 355 ships, or some other number? I would say that the right answer to this question is 355 PLUS, because while we certainly need more sea-going platforms, we also need to increase their lethality and their ability to operate in a networked fashion with both manned and unmanned assets that contain, restrain, confuse, overwhelm, and decisively defeat our enemies. A larger force is necessary, but a larger, more agile force will be the key determinant of the success of our maritime strategy.

We must also advance agility in how we manage the business mission of the Department. We must have faster access to accurate information and we must reduce the overhead and bureaucracy that impedes rapid decisionmaking. We must also understand the difference between being a smart buyer and a bad customer. We cannot build and maintain an agile organization if we promote an adversarial relationship with industry. Rather, we must promote competition, but with integrity, transparency and collaboration around common interests. We need industry's help in this regard. We need your ideas, we need you to be honest, risk-sharing partners, and we need you to be a catalyst for driving change in the processes that frustrate you, cripple us, and degrade our capabilities as fighting force.

Most importantly, we all must advance agility when we think about our people. We need to recruit and train people who are innovative and creative and courageous. People who are comfortable with uncertainty and who can collaborate and trust their teams and leaders under stressful conditions. We must also tap into the vast knowledge and spirit of the private sector from non-defense industries as partners with our men and women in uniform, as well as our civilian workforce.

As I have spent a significant amount of time over the last several weeks learning about our plan to achieve the 355 ship Navy one point struck me more starkly than any other piece of data I reviewed. No matter whether we build at a modest pace to get us to the 355 ship goal by 2052, or the more aggressive goal of 2035, most of the Sailors and Marines who will be operating that force, and the civilians who support them, are not in the Navy or Marine Corps today. When I mentioned the term “355 PLUS” earlier in my remarks, this is what I meant. In addition to the integration of sensors and unmanned systems and networks, the PLUS, as I see it, will be defined and differentiated through the quality of our people. The agility and efficacy of that future force we are tasked to build will rely on how well the people of that future force embody the agile qualities I just described. And that future force is not just the people in uniform and their government civilian support team. It is more broadly defined as the entire national security ecosystem which includes all of the people who will provide goods and services to help the Defense Department meet its mission requirements. This is why our relationship with industry must evolve to one of greater collaboration and speed, higher expectations for performance and partnership, and enhanced transparency and trust.

Unfortunately, (and I hate to break it to you) **MANY OF US IN THIS ROOM ARE NOT THE FUTURE OF THE NAVY, or of our NATIONAL SECURITY ECOSYSTEM. RATHER, THE PEOPLE WHO WILL BE THAT FUTURE ARE EITHER VERY EARLY IN THEIR CAREERS, OR NOT EVEN OLD ENOUGH TO DRIVE, OR VOTE, OR BUY A BEER TODAY.**

Nonetheless, each of us have a profound ability to impact the quality and fitness of that future force, that future ecosystem, by identifying today those young people who embody those agile qualities I mentioned--and by accelerating their opportunities to lead.

During my swearing in ceremony a few weeks ago at the Naval Academy I made a point to mention one of the many memorable quotes of John Paul Jones. One in particular is highly relevant to our current challenges. Jones famously said, “Men mean more than guns in the rating of a ship.” In more modern parlance we can alter this somewhat and say, “People mean more than weapons in the rating of a service.” Jones’ quote recognizes a profound point of truth that is more relevant today than it was over 200 years ago. Our maritime advantage is, and will continue to be, almost entirely dependent upon the quality of our people. Therefore, I encourage you dedicate a small portion of your day to relax your laser focus on the bottom line, and to shift to the task of recruiting, training, and advancing the most quick-minded, flexible, collaborative, innovative, and transparent people for your

business. If you do this, you will help set the United States military, and Navy and Marine Corps you support, OUR NAVY AND MARINE CORPS, on the course for maritime superiority well into this century.

In closing, I would like to show you a couple of pictures.

Show Picture of Star

This is a picture of the red communist star that for over forty years sat atop of one of most beautiful and ornate buildings in Europe, the Hungarian Parliament. I first saw this building and the star on top of it in 1970 when I returned to Hungary with my father who had escaped from Soviet oppression 22 years earlier after he refused to join the Communist Party. Today, that symbol of authoritarianism and oppression is gone. In stark contrast, in plain view of the spire stands this:

Show Picture of Reagan

This is a bronze statue of President Ronald Reagan. I saw this for the first time in person in May of last year. The personal significance of this to me was not lost. I joined the Navy in 1979 when my father's homeland of Hungary was still firmly entrenched behind the Iron Curtain—and the Department of the Navy was at an inflection point. Like some of you in this room, I served as an active duty officer in the Navy when President Reagan and the American people fully committed to rebuilding our military, and most specifically a 600 ship Navy, to push back the challenge of the Soviet Union and protect our interests around the globe. The fact that a statue of an American president now stands in that square is a testament to what our ideals, values, and most importantly our resolve through our military strength, can produce.

I believe we are at a similar inflection point today, but today's is one that is far more complicated. It will require more ships and aircraft and advanced technologies, but it will also require a shift in culture from rigid to adaptable, from sluggish to fast, from stagnant to innovative, from parochial to collaborative, and from opaque to transparent. We all must participate in that shift. We all must rise to that cultural challenge.

I am confident that the arc of history will ensure that some other symbol of oppression, like that extinct Soviet communist star, will be

thrust into the dustbin of history and looked back upon 40 years from now with similar disdain. What that symbol is will be determined by how well we rise to this challenge and how well we choose the people to lead our Navy, and all those organizations that support us, for the challenges of **THIS** century—not the last. These **PEOPLE** must be agile because only through agility can we maintain the strong, confident, and capable Navy and Marine Corps team the nation needs—and frankly, the rest of the world depends upon.

Thank you again for having me here today, and for what you do every day to support the defense of our nation.

God Bless You and Your Families.

And may God bless the Sailors and Marines who go in harms way on the seas, in the air, and on the land to keep us safe... and free.

BEAT ARMY!